



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – May 24th 2022

Hello, my name is Andrew Bellis.

Given what is happening in financial markets more broadly and some of the recent NTA and Unit Price moves of the Partners Group Global Income Fund we thought it was important to provide a brief update for our Unitholders.

Throughout 2022 we have seen increasing expectations in global financial markets of interest rate increases to curb inflationary pressures. This led to a sell off in global stock markets and more traditional fixed income assets as forward interest rate curves moved upwards. These interest rate increases have now started to happen in a number of countries and it is likely, particularly in the US, that we will see a series of interest rate increases over the coming months.

Whilst inflationary pressures were already building, the invasion of Ukraine and further shutdowns in China (as they follow a zero COVID policy) have compounded these pressures. Broader market concerns that inflation will run higher for longer and thus require a more sustained period of rate increases has led to worries around a potential recession in developed economies. During the second quarter of 2022 these fears have led to continued declines in global stock indices and further pressure on more traditional fixed income and credit assets such as high yield bonds. These declines have been most keenly felt in high growth areas; with the US NASDAQ index down close to 30% year to date and many consumer driven tech companies such as Netflix and Snapchat experiencing precipitous share price falls.

To a large extent the First Lien Senior Secured Loan and Private Debt markets were sheltered from these price falls; in particular given they are floating rate assets and do not have the same interest rate sensitivity as traditional fixed income. However over the last few weeks, the increasingly bearish tone in financial markets has fed through to our market and thus the portfolio of PGG has been impacted by price falls.

Given these price moves and commensurate fall in PGGs NTA it is important to highlight that:

1. These are independent prices for the assets held by PGG and thus reflect market views of credit risk rather than necessarily an impaired ability of a given company to repay its loan or loss provisioning
2. Because PGG uses an element of leverage or gearing, price moves in the underlying portfolio are magnified in the NTA moves
3. The portfolio of PGG is, in our view, defensive in nature, being:

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- a. Highly diversified
- b. Focused predominantly on First Lien Senior Secured Loans; and
- c. Floating rate in nature

We continue to believe that over the longer term, as interest rates increase from historically low levels, secured floating rate debt, like that held by PGG will outperform more traditional unsecured fixed income assets.

We will provide increased commentary over the coming months whilst this market volatility persists to ensure that any relevant market or portfolio updates are communicated to our Unitholders on a regular basis

Many thanks

Andrew

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